

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4610

July 20, 2006

R E S O L U T I O N

(RES. W-4610), ALISAL WATER CORPORATION (Alco), SALINAS DISTRICT. ORDER AUTHORIZING A RATE INCREASE IN COMPLIANCE WITH ORDERING PARAGRAPH 5 OF RESOLUTION. W-4577 PRODUCING AN ADDITIONAL ANNUAL REVENUE OF \$32,959 OR 0.61% FOR ALCO'S SALINAS DISTRICT.

SUMMARY

By Advice Letter No. 105, filed on February 15, 2006, and supplemented by Advice Letter No. 105-A, filed on May 25, 2006, Alco seeks a rate increase in compliance with Ordering Paragraph 5 of Res. W-4577, dated December 15, 2005, to provide for an increase in revenues of \$32,959 or 0.61%. The increase requested is to recover the cost of plant additions in 2005. This increase will not result in a rate of return greater than that last authorized for Alco's Salinas District.

BACKGROUND

Alco, a Class B utility, provides water service to 8,900 customers in its Salinas District located in Monterey County. Alco's present rates became effective on December 15, 2005, pursuant to Res. W-4577, which granted a general rate increase of \$1,214,936 or 28.75% in test year 2006.

NOTICE AND PROTESTS

Notice of the original rate increase of \$65,761 or 1.65% requested through Advice Letter No. 105, was published in The California, a newspaper of general circulation, on March 1, 2006, as evidenced by proof provided to the Water Division by Alco. There were no protests concerning the proposed increase.

DISCUSSION

On December 15, 2005, the Commission granted Alco a general rate increase by Res. W-4577. Ordering Paragraph 5 of Res. W-4577 states that

“Alco shall file advice letters for completed plant additions within 45 days of the beginning of the subsequent year: by February 14, 2006, for 2005 plant additions.”

As part of Advice Letter No. 105-A, Alco provided a detailed list of plant additions. Moreover, on April 24, 2006 and on May 16, 2006, Peter Liu, Project Manager of the Water Division made field trips to inspect the 2005 plant additions.

Alco originally requested authorization to increase rates in its Salinas Division in the amount of \$65,761 or 1.65% over the authorized 2006 revenue in Res. W-4577. This amount was calculated based on the 2005 actual water plant additions, which exceeded the 2005 estimated plant additions reported in Appendix E of Res. W-4577 by \$526,788. Water Branch staff requested that Alco file a supplemental advice letter based on the revised rate base for test year 2006, applicable only to Salinas District, and excluding all other districts.

Before filing its supplemental Advice Letter No. 105-A, Alco requested guidance as to how to proceed with the 2006 rate base update with regards to the sale of Alco's Buena Vista and San Jerardo water system, which were a part of Alco's Salinas District before the court Order. On April 10, 2006, Alco representatives met with Water Division representatives to discuss this issue. On May 12, 2006, Kayode Kajopaiye, Chief of the Utility Audit, Finance and Compliance Branch (UAFCB), wrote a letter to Alco stating that Buena Vista and San Jerardo rate base amounts should be excluded from the Salinas District and that when the sale of Buena Vista and San Jerardo is final, Alco should file an advice letter with the Water Division to dispose of any difference between the sale price for the rate base of the two systems and the remaining rate base amounts.

On May 25, 2006, Alco filed Advice Letter No. 105-A, which included revised average rate base for test year 2006 of \$8,820,951. This amount does not include the rate base that should be excluded according to UAFCB. This rate base represents a net increase of \$311,853 compared to the rate base adopted by Res. W-4577 for test year 2006 of \$8,509,098.

The rates requested by Advice Letter No. 105-A are reasonable and should be adopted. At the new rates shown in Appendix - B, the monthly bill for a 5/8 x 3/4-inch metered customer using 20 Ccf (One Ccf equals 100 cubic feet) of water will increase from \$43.15

to \$43.41 or 0.61% for test year 2006.

FINDINGS

1. Alco filed Advice Letter Nos. 105 and 105-A in compliance with Ordering Paragraph 5 of Res. W-4577, dated December 15, 2005.
2. The Water Division's recommended Summary of Earnings (Appendix A) for test year 2006 is reasonable and should be adopted.
3. The Commission finds, after investigation by the Water Division, that the request is justified, and the resulting rates are just and reasonable.
4. This is in an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g) (3).

THEREFORE IT IS ORDERED THAT:

1. Alco Water Service's Salinas District is authorized, five days after the effective date herein, to make effective revised Schedules Nos. 1A, General Metered Service, 4, Private Fire Protection Service, and 6, Public Fire Hydrant Service, attached to Advice Letter No. 105-A, and to cancel the corresponding presently effective rate schedules.
2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on July 20, 2006; the following Commissioners voting favorably thereon:

/s/ STEVE LARSON

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
President

GEOFFREY F. BROWN

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG
Commissioners

**APPENDIX A
SUMMARY OF EARNINGS
Test Year 2006 - Rev. 1**

<u>Item</u>	Alco		DIVISION		
	<u>Present</u> Rates	<u>Proposed</u> Rates	<u>Present</u> Rates	<u>Proposed</u> Rates	<u>ADOPTED</u> Rates
<u>Operating Revenue</u>					
Fire Protection	\$13,123	\$13,202	\$13,123	\$13,202	\$13,202
Private Fire Protection	\$5,177	\$5,210	\$5,177	\$5,210	\$5,210
Metered Water	\$5,368,708	\$5,401,555	\$5,368,708	\$5,401,555	\$5,401,555
Miscellaneous Income	\$12,531	\$12,531	\$12,531	\$12,531	\$12,531
Reimbursed Income	\$12,461	\$12,461	\$12,461	\$12,461	\$12,461
Other Water Revenue	\$29,096	\$29,096	\$29,096	\$29,096	\$29,096
Total Revenue	\$5,441,096	\$5,474,055	\$5,441,096	\$5,474,055	\$5,474,055
<u>Operating Expenses</u>					
Other volume related	\$8,763	\$8,763	\$8,763	\$8,763	\$8,763
Purchased Power	\$432,094	\$432,094	\$432,094	\$432,094	\$432,094
Materials	\$63,333	\$63,333	\$63,333	\$63,333	\$63,333
Contract Work	\$100,637	\$100,637	\$100,637	\$100,637	\$100,637
Transportation	\$322,991	\$322,991	\$322,991	\$322,991	\$322,991
Other Plant Maintenance	\$49,610	\$49,610	\$49,610	\$49,610	\$49,610
Employee Labor	\$575,030	\$575,030	\$575,030	\$575,030	\$575,030
Office Salaries	\$337,342	\$337,342	\$337,342	\$337,342	\$337,342
Management Salaries	\$135,744	\$135,744	\$135,744	\$135,744	\$135,744
Employee Benefits	\$524,364	\$524,364	\$524,364	\$524,364	\$524,364
Uncollectibles	\$5,369	\$5,369	\$5,369	\$5,369	\$5,369
Office Services & Rental	\$72,267	\$72,267	\$72,267	\$72,267	\$72,267
Office Suppl. & Exp.	\$108,576	\$108,576	\$108,576	\$108,576	\$108,576
Professional Services	\$195,755	\$195,755	\$195,755	\$195,755	\$195,755
Insurance	\$279,186	\$279,186	\$279,186	\$279,186	\$279,186
Regulatory Comm. Exp.	\$1,677	\$1,677	\$1,677	\$1,677	\$1,677
General Expenses	\$73,774	\$73,774	\$73,774	\$73,774	\$73,774
Subtotal	\$3,286,512	\$3,286,512	\$3,286,512	\$3,286,512	\$3,286,512
Depreciation Expense	\$477,962	\$480,172	\$477,962	\$480,172	\$480,172
Property Taxes	\$206,052	\$206,052	\$206,052	\$206,052	\$206,052
Other Taxes	\$204,041	\$204,041	\$204,041	\$204,041	\$204,041
Payroll Taxes	\$93,702	\$93,702	\$93,702	\$93,702	\$93,702
State Income Tax	\$74,167	\$74,167	\$74,167	\$74,167	\$74,167
Fed. Income Tax	\$259,663	\$259,663	\$259,663	\$259,663	\$259,663
Total Deductions	\$4,602,099	\$4,604,309	\$4,602,099	\$4,604,309	\$4,604,309
Net Revenue	\$838,997	\$869,746	\$838,997	\$869,746	\$869,746
Average Plant	\$24,242,276	\$23,737,243	\$24,242,276	\$23,737,243	\$23,737,243
Avrage Accumulated Depreciation	\$7,324,998	\$6,588,399	\$7,324,998	\$6,588,399	\$6,588,399
Net Plant	\$16,917,278	\$17,148,844	\$16,917,278	\$17,148,844	\$17,148,844
Less					
Advances for Construction	\$3,272,762	\$3,641,422	\$3,272,762	\$3,641,422	\$3,641,422
Contributions in aid of Construction (\$4,918,974	\$4,470,027	\$4,918,974	\$4,470,027	\$4,470,027
Plus					
Working Cash	\$273,876	\$273,876	\$273,876	\$273,876	\$273,876
Defered CIAC tax Av.	\$313,673	\$313,673	\$313,673	\$313,673	\$313,673
Materials & Supplies	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
<u>Rate Base</u>	\$8,509,098	\$8,820,951	\$8,509,098	\$8,820,951	\$8,820,951
<u>Rate of Return</u>	9.86%	9.86%	9.86	9.86%	9.86%